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**FISCAL IMPACT STATEMENT**

**LS 6425**

**BILL NUMBER:** HB 1420

**NOTE PREPARED:** Dec 26, 2004

**BILL AMENDED:**

**SUBJECT:** Equipment Tax Abatements.

**FIRST AUTHOR:** Rep. Turner

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that tax abatement for certain logistical distribution or information technology equipment installed in certain counties in which Interstate Highway 69 is located applies if the resolution approving the abatement is adopted before January 1, 2006.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for abatements would change the amount received from this tax.

If there is an increase in investment because of the changes in this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** This bill would allow abatements for new “logistical distribution equipment and new “information technology (IT) equipment if certain counties located on Interstate Highway 69 *adopt a resolution* approving the abatement before January 1, 2006. Under current law, the equipment has to be *installed* before January 1, 2006.

Logistical distribution equipment would consist of racks, scanners, separators, conveyors, forklifts, moving equipment, packaging equipment, sorting and picking equipment, and software.

IT equipment would include equipment and software used in the fields of information processing, office automation, telecommunication facilities and networks, informatics, network administration, software development, and fiber optics.

This bill effectively grants more time for the equipment to be installed. If there is an increase in development because of this proposal, the new property would, at some point, be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the abatement, an increase in abatements (ERAs) could also cause a delay of the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. In all cases, the granting of an abatement is a local decision.

*Background:* The following are the personal property tax abatements for the last 10 years.

<u>Year</u>	<u>Personal Property Tax Abatements</u>
1994	\$54,579,109
1995	44,913,061
1996	66,760,681
1997	49,280,601
1998	43,532,906
1999	49,989,013
2000	70,955,197
2001	94,062,035
2002	102,594,325
2003	154,181,896

**State Agencies Affected:**

**Local Agencies Affected:** County auditors.

**Information Sources:** Local Government Database.

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